

# **Exhibit A - Exhibit 2 - part 3**



## THE DOMESTIC STOCK MARKET

The domestic stock market performed well in 1983. An increase in price-earning multiples brought prices to more realistic levels than ever. Thanks to five new issues, market depth has somewhat improved. Both investors and market-makers have perfected their skills and techniques, resulting in more competition for trades.

The stock market had its strongest period during the first half of the year. No influence was felt from the economic slowdown. Large blocks of shares changed hands, often at handsome premiums. Activity in all sectors was very high. Bank shares were in the limelight throughout, followed by utilities and cement factories. Toward Ramadan, most investors had positioned themselves comfortably, and the market began to slow down. Trades became more rare, and our duty to provide prices was more and more difficult. Finally, for almost three months, many Saudi businessmen pursued interna-

tional business relations, and there was hardly any activity to report. Prices remained virtually unchanged during that period. Those who expected the market to pick up after Al-Haj were disappointed. The liquidity problem became obvious, and domestic interest rates started to move higher, outperforming even the US dollar for awhile. This made the market tumble and initiated a wave of selling which specifically involved some of the most advanced issues in all sectors. The last quarter of the year was overshadowed by uncertainties about new regulation of the Saudi Arabian stock market which could give banks a greater role. In addition, political unrest in some Middle Eastern countries did not support a fading market at all. It proved to be extremely difficult to maintain a price basis; however, S.I.CO. was a reliable price contributor, a fact conceded by competitors and greatly appreciated by customers.





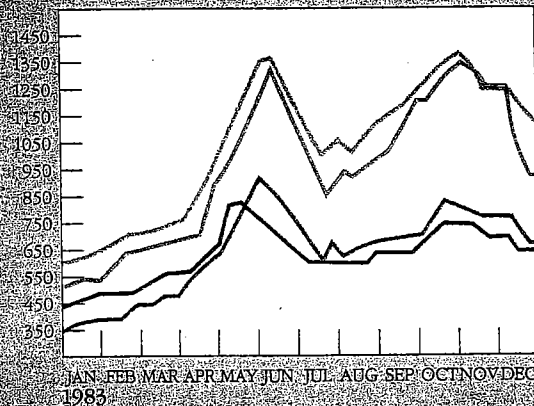
## HIGHLIGHTS

### BANKS

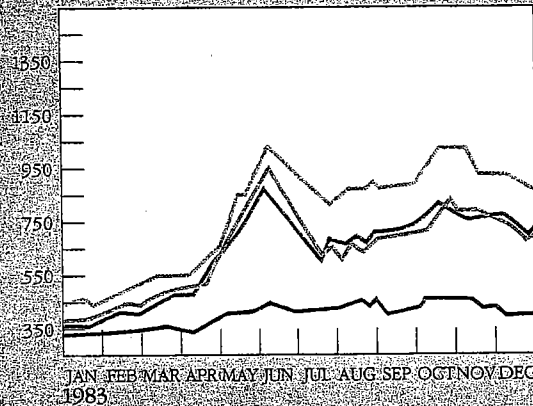
Bank shares were once again the favorites among investors. The 1982 balance sheets showed strong growth in this important sector and reflected aggressive expansion of branch networks by the banks. The fact that profitability kept up with this rapid growth throughout the entire industry proved that the vast investments in labor training, as well as office automation, were very effective and fully support-

able. This will certainly guarantee further improvement of all banking facilities in Saudi Arabia in the future. The menu of banks was enlarged by Saudi United Commercial Bank, a merger of Saudi International Bank Ltd., Banque du Liban et d'Outre Mer, United Bank (Pakistan), and Bank Mellat.

The following charts illustrate the price moves of the various bank shares during the year.



- Arab National Bank
- Saudi American Bank
- Saudi Hollandi Bank
- Saudi Cairo Bank

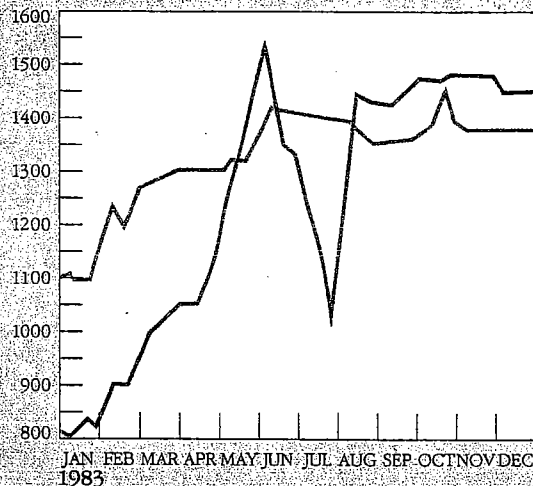


- Saudi Fransi Bank
- Saudi British Bank
- Bank Al - Jazira
- Saudi Investment Banking Corp.

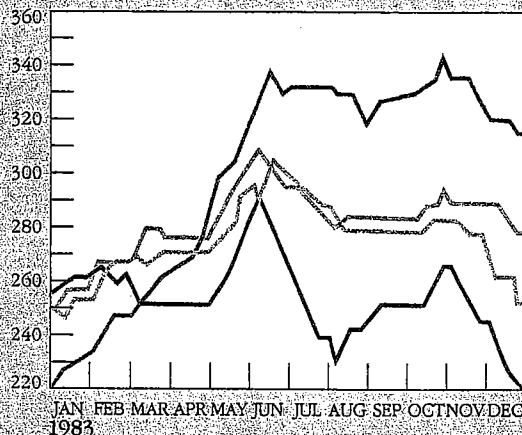


**CEMENT**

Cement is another favorite of investors. Again, the excellent results from the year before spilled over into the reporting year. The industry took full advantage of its large production capacity and was able to satisfy demand almost entirely. The enthusiasm in this market brought us the highest prices ever, just in the middle of the year. However, in the light of a softening real-estate and construction environment, the cement issues came under selling pressure. The second half of the year was more relaxed and the stocks recovered slightly – only to fall off again during the last two months in very thin trading.



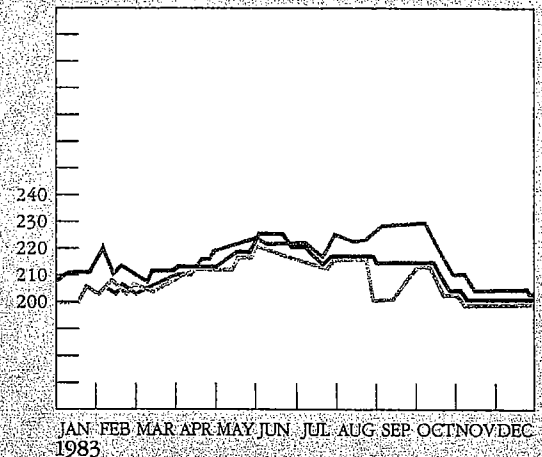
■ Saudi Cement (Dammam)  
 ■ Arab (Jeddah) Cement



■ Qassim Cement  
 ■ Yanbu Cement  
 ■ Saudi Bahraini Cement  
 ■ Southern Region Cement

**ELECTRICITY**

As in most stock markets around the world, utilities proved to be resistant against large fluctuations. The industry's variety of medium-sized suppliers was restructured and emerged as four highly-capitalized regional public companies with major government backing. These streamlining measures helped reduce production and distribution costs for the companies involved. Since the government is subsidizing the citizens' electric bills, nationalization is of vital interest. The strong government involvement, which guarantees a dividend of 15 Saudi riyals per share, and a steady increase in electricity consumption make utility stock ideal for long-term investment.



■ Central Region Electricity  
 ■ Eastern Province Electricity  
 ■ Western Region Electricity  
 Company consolidated in February